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Public Policy Reform and Informal Institutions: The Political Articulation of the Demand for Work in Rural India



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SUMMARY

The emphasis on rights that individual citizens can claim from the state represents a significant institutional development for poverty alleviation policies. In India, important legislation was passed in 2005 to guarantee rural households 100 days of work paid at a statutory wage rate. This Right to Work legislation has enabled the implementation of the world's largest public works program—the “Mahatma Gandhi” National Rural Employment Guarantee Scheme or NREGS. This study explores variation in policy outcomes under NREGS within a rural district of North India (Uttar Pradesh). It finds that this variation is the product of the interaction between formal and informal institutions. As such, the demand for work benefits does not emerge spontaneously from self-selecting rural citizens, but is articulated by local elected officials who are pressurised to accommodate demands for rents from the bureaucracy. Specifically, local elected officials are compelled to proceed to a *selective activation* of the demand for benefits to ensure the generation of a surplus which will form the basis of bureaucratic rent payments. The study relies on qualitative data, specifically interviews with past beneficiaries of the scheme, bureaucrats tasked with policy implementation, and elected village leaders (the *Gram Pradhans* in the Indian state of Uttar Pradesh) to document the conditions under which a surplus is extracted and rent payments made. The study shows that caste and political leadership structures at the local level affect the generation of surpluses and the payment of rents by *Gram Pradhans* to the bureaucracy. While the Right to Work legislation represents progress for poverty alleviation, policies such as NREGS that emphasize rights and the expression of a demand for benefits need to consider more carefully the conditions under which this demand emerges as well as the ways in which discretionary authority can thwart the goals of public policy.

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1. Introduction

The introduction of legislation promoting rights that citizens can claim from state agencies represents a significant institutional development in the field of poverty alleviation. This has been especially the case in India, where in 2005 the Right to Work Act created an entitlement to work in rural areas where most of the country's population still resides. This legislation has translated into the implementation of the National Rural Employment Guarantee Scheme (or NREGS), a policy which in 2016 provided 2.2 billion person-days of work to 45.5 million households, making it the world's largest public works scheme (Banerjee, Dufflo, Imbert, Mathew, & Pande, 2016; Gulzar & Pasquale, 2017).¹

To the extent that NREGS is implemented across the different Indian states, the variation in policy outcomes—such as employ-

ment generation levels—reflects the diversity of a “continent masquerading as a country.”² But a variation persists within the individual states, and within districts at the state level. In rural Uttar Pradesh for instance, India's largest state but also one of its poorest (Singh, 2015), some villages have been successful in channeling development funds whereas neighboring villages have not. And this variation among villages masks yet other discrepancies in the ways individual citizens access state benefits within the villages themselves. While some rural citizens have been repeatedly sidelined, others have had their claims (Kruks-Wisner, *in press*) effectively mediated and translated into benefits. This is especially remarkable given that NREGS distinctly emphasizes a right to work that includes all citizens living in rural areas.

² The Economist, May 22, 2015, <http://www.economist.com/blogs/graphicdetail/2015/05/daily-chart-7>.

¹ Source: MGNREGA Public Data Portal.

In this study, I provide an answer to this puzzle by exploring the interactions between formal and informal institutions (Helmke & Levitsky, 2004; Tsai, 2006). As a public policy, NREGS generates norms such as the entitlement to 100 days of work, or the rule that requires projects under the policy to be identified within village assemblies, known as *Gram Sabhas*. Wherever implemented, these formal rules interact with informal norms of expected behavior, such as clientelism (Hicken, 2011; Lauth, 2000) or rent extraction. To the extent that NREGS as a policy emphasizes the expression of a demand for benefits at the local level, policy implementation depends on the relative ability of individual citizens to interact with elected representatives and bureaucrats. This, I argue, creates opportunities for a quid pro quo under the policy, such that elected representatives can *selectively activate* the demand for work benefits. Yet local elected representatives do not have immediate access to public resources. In order to fully deliver on their promise, they must bargain with bureaucrats tasked with the effective delivery of policy benefits. As a result, the ability of elected representatives—such as the *Gram Pradhans* in rural Uttar Pradesh—to selectively activate the demand depends on whether they meet the demands for rents from the bureaucracy. And since benefits in the form of wages paid are directly provided to workers through individual bank accounts, they must extract a surplus from the demand for benefits at the local level in order to meet these demands.

I develop the argument through a case study of the implementation of NREGS in a rural district of the northern Indian state of Uttar Pradesh. While interviews carried out with past beneficiaries of the scheme revealed that the delivery of work benefits under NREGS can reflect clientelism, conversations with elected representatives and candidates ahead of local elections (*Panchayati Raj*) in the Fall of 2015 revealed not only the extent of rent extraction across the district, but also the web of informal norms that drove rent extraction at every level of the implementation chain. The qualitative data I collected also suggested that the payment of rents itself depended on political leadership at the local level. Caste, partisanship, and institutional mechanisms such as the enforcement of mandatory quotas of representation for disenfranchised communities interact to create different leadership opportunities at the village level, which affect the ability of elected officials to selectively activate the demand for benefits and to deliver rent payments. While a policy such as NREGS was by design intended to empower communities and ultimately prevent the distortions that have been known to affect policy implementation in India and beyond (Wade, 1985), the data I present in this study suggest that informal institutions such as clientelism have not only endured but also adapted to the new formal institutional incentives promoted by the Indian state.

This paper makes several contributions. First, it engages with a literature on citizen–state relations, and specifically work that has emphasized the conditions under which citizens access state benefits (Krishna, 2002, 2011; Kruks-Wisner, 2011, *in press*). My work shows how institutional incentives under NREGS affect the ways in which citizens interact with state agencies. Second, this study speaks to a literature that has investigated the impact of interactions between formal and informal institutions (Helmke & Levitsky, 2004; Lauth, 2000; Tsai, 2006) on development and policy outcomes (Mangla, 2015; Niehaus & Sukhtankar, 2013a,b). The paper shows that institutional incentives for the expression of a demand for benefits under NREGS make the deployment of strategies such as clientelism at the village level dependent on the delivery of rent payments to the bureaucracy. Third, my empirical work minutely documents the mechanisms of policy implementation, and as such sheds new light on policy performance under NREGS (Gulzar & Pasquale, 2017) suggesting that policy outcomes may reflect different political strategies than identified so far (Jenkins & Manor, 2017; Maiorano, 2014).

Given India's recent trajectory of economic growth, and unsatisfactory record at poverty alleviation (Dreze & Sen, 2013; Gupta, 2012), my conclusions should be of interest to scholars of comparative politics, but also to development practitioners with an interest in poverty alleviation strategies. The paper not only shows that the emphasis on rights and a demand for benefits fails to empower the poor, particularly in areas where a democratic deficit persists. It also illuminates the ways in which institutional design enables bureaucratic discretionary authority to defeat NREGS' unique policy goals. Yet these conclusions should not be interpreted as an indictment of the Right to Work legislation, nor do they suggest that poor areas of North India are unable to escape a poverty trap. Rather, they should serve as a cautionary tale and call for a more thorough consideration of the conditions under which poor citizens express a demand for benefits, and how bureaucrats work to meet this demand.

2. A new poverty alleviation strategy: Decentralization and demand-based policies

In India, the constitutional amendments passed in 1992–93 have affected many state interventions, given the new responsibilities devolved to the *Panchayati Raj*, India's constellation of local government agencies. Despite the uneven implementation by the Indian states of the constitutional provisions (Bohlken, 2016), decentralization has translated both into enhanced capacity at the local level (Chattopadhyay & Dufflo, 2004; Pande, 2003) and a democratic deepening, particularly with the promotion of local democracy and the enforcement of quotas for traditionally disenfranchised communities (Bhavnani, 2009; Chauchard, 2014, 2017).

These efforts to empower citizens at the local level have been pursued in the face of enduring poverty (Dreze & Sen, 2013) and growing inequality (Kohli, 2012). The Right to Work Act, passed in September 2005 under the leadership of the Congress-led United Progressive Alliance, represented an important step in the consolidation of a safety net for the rural poor in India (Chopra, 2011; Jenkins & Manor, 2017). The legislation aimed to protect agricultural wage labor against seasonal fluctuations in employment and wage exploitation through the provision of public employment at a statutory wage rate.³ This legislation was also introduced as the Indian state was significantly increasing the resources dedicated to poverty alleviation (Dreze & Sen, 2013; Krishna, 2002). The National Rural Employment Guarantee Scheme or NREGS—the scheme derived from the Right to Work Act—has become the world's largest public works program (Gulzar & Pasquale, 2017; Maiorano, 2014), with a total budget outlay of US\$ 7.5 billion, close to 1% of India's GDP as of 2016.⁴

Public works were a staple of poverty alleviation and famine prevention in the colonial era (Mathur, 2016) and employment guarantee schemes or EGS were launched in the 1980s in the states of Maharashtra and West Bengal, with varying success (Basu, 1981; Dev, 1996; Etcheverri-Gent, 1993; Herring & Edwards, 1983). NREGS is not the first all-India public works program, since the National Rural Employment Program or NREP was extended to all the Indian states at the end of the 1980s (Joshi, 2010).⁵ NREGS remains unique in that it guarantees the provision of public employment by state agencies. The policy stops short of creating a universal

³ The statutory wage rate is established by the individual states, in accordance with the Constitution of India, and specifically the 1948 Minimum Wages Act. This provision was intended to ensure that the minimum wage rate would take into account the unique political economies of the Indian states.

⁴ Despite calls for a discontinuation of the scheme before the 2014 *Lok Sabha* elections, the BJP-led National Democratic Alliance has actually increased the funding dedicated to NREGS since coming to power in 2014, from approximately US\$5 in FY 2013–14 to US\$7.5 in FY 2016–17.

⁵ NREGS officially replaced many concurrent attempts at providing temporary employment in rural India and ensuring basic livelihoods, such as SGSY.

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